

DECISION MEMORANDUM

**TO: COMMISSIONER KJELLANDER
COMMISSIONER REDFORD
COMMISSIONER SMITH
COMMISSION SECRETARY
LEGAL
WORKING FILE**

FROM: YAO YIN

DATE: OCTOBER 30, 2014

**RE: ANNUAL COMPLIANCE FILING TO UPDATE THE LOAD AND GAS
FORECASTS AND LONG-TERM CONTRACTS IN THE
INCREMENTAL COST INTEGRATED RESOURCE PLAN AVOIDED
COST METHODOLOGY, CASE NOS. AVU-E-14-11, IPC-E-14-25,
PAC-E-14-09**

BACKGROUND

In Final Order Nos. 32697 and 32802, the Commission determined that the inputs to the Integrated Resource Plan ("IRP") avoided cost methodology¹ shall be updated every two years upon acknowledgement of the utility's IRP filing, with the exception of the load forecast and the natural gas forecast—which is to be updated annually by October 15 of each year. The Commission stated:

We find that, in order to maintain the most accurate and up-to-date reflection of a utility's true avoided cost, utilities must update fuel price forecasts and load forecasts annually – between IRP filings...In addition, it is appropriate to consider long-term contract commitments because of the potential effect that such commitments have on a utility's load and resource balance...We further find it appropriate to consider PURPA contracts that have terminated or expired in each utility's load and resource balance (See Order No. 32697, p. 22.).

Each of the three electric utilities (Avista, Idaho Power, and Rocky Mountain Power) has now submitted their annual updates for fuel prices, load forecasts, and changes to long-term

¹ The IRP methodology is utilized for all proposed Public Utility Regulatory Policies Act of 1978 ("PURPA") qualifying facility ("QF") projects that exceed the published rate eligibility cap.

contracts for purchases or sales and any new or expiring QF contracts in compliance with Order Nos. 32697 and 32802.

STAFF REVIEW

Avista's Filing

Avista's most recent load forecast was developed in July 2014 for energy and September 2014 for peak. The recent energy load forecast shows, on average, a 0.6 percent annual average growth rate, down from 0.7 percent. The peak forecast growth rate is unchanged at 0.7 percent.

Avista's most recent Forward Price Curve was developed using the blend of two national price forecasting consultants' most recent forecasts and forward market prices as of October 7, 2014.

Avista has signed one new long-term PPA, representing a four percent slice of Chelan County PUD's Rocky Reach and Rock Island production for the 2015 calendar year. The slice product is expected to add 64.5 MW of peak capacity for both summer and winter peaks and add 35.4 aMW of energy. As of the filing date, Avista has no additions or subtractions of PURPA resource contracts.

Although the Commission did not receive Avista's update until October 22, 2014, Staff believes it is still appropriate, in compliance of the Commission's order, to implement the update as of October 15, 2014.

Idaho Power's Filing

Idaho Power's most recent load forecast is dated September 9, 2014, and is the same load forecast that will be used in Idaho Power's 2015 IRP. This recent load forecast shows, on average, a slight decrease in Idaho Power customer loads when compared to the October 7, 2013, load forecast.

Idaho Power updates the natural gas price forecast to reflect the most recent U.S. Energy Information Administration ("EIA") natural gas price forecast. The October 2014 gas forecast, planned for use in the 2015 IRP, is the nominal EIA forecast for Henry Hub in compliance with the direction from Order No. 32980. It indicates, on average, a slight decrease in the average annual natural gas forecast prices over the next 20 years in comparison to the EIA 2013 natural gas price forecast.

Idaho Power currently has three non-PURPA, long-term power purchase agreements: Elkhorn Valley Wind (101 MW), Raft River Geothermal (18 MW), and Neal Hot Springs Geothermal (30 MW). Idaho Power currently has 133 signed contracts with PURPA QF projects with a total nameplate capacity of 1,302 MW. This is an increase of 30 new contracts, and 524 additional MW of PURPA QF generation above the amounts from this time last year. This includes two large solar contracts: Grand View (80 MW) and Boise City Solar (40 MW), which are currently filed with the Commission, as well as 11 new solar QF contracts signed on October 13, 2014. Also included are six new Oregon solar QF contracts totaling 60 MW, 5 new Oregon wind QF contracts totaling 50 MW, and several Idaho hydro QF contracts.

Rocky Mountain Power's Filing

Rocky Mountain Power's long term load forecast to be used for the update to the IRP avoided cost methodology was prepared in September 2014.

Rocky Mountain Power's most recent Official Forward Price Curve was prepared September 30, 2014 ("1409 OFPC").


Since the previous IRP method update compliance filing made in October 2013, Rocky Mountain Power has signed 43 long-term contracts with QFs for a total nameplate capacity of 893.2 MW. Two long-term contracts with a combined nameplate capacity of 159.8 MW were terminated.

STAFF RECOMMENDATION

Staff believes that the load and gas price forecasts submitted by Avista, Idaho Power, and Rocky Mountain Power reflect their most current estimates, and were all prepared consistent with the methods used in their IRPs. Staff believes the load and gas price forecasts and the long-term contract changes submitted by the utilities comply with the requirements of Order Nos. 32697 and 32802. Staff recommends that the Commission accept the forecasts and contract changes for filing without further process or procedure.

COMMISSION DECISION

Does the Commission wish to accept the compliance filings of Avista, Idaho Power, and Rocky Mountain Power without further process or procedure?

A handwritten signature in black ink, appearing to be 'Yao Yin', written over a horizontal line.

Yao Yin